

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Universal Service Reform)	WC Docket No. 10-208
)	
Mobility Fund)	
)	

**REPLY COMMENTS OF
TEXAS STATEWIDE TELEPHONE COOPERATIVE, INC.**

I. INTRODUCTION AND SUMMARY

Texas Statewide Telephone Cooperative, Inc. (TSTCI) hereby files its Reply Comments with respect to the Commission’s *Notice of Proposed Rulemaking* (“NPRM”) on the proposed “Mobility Fund.” TSTCI is an association representing 39 small rural incumbent telephone companies and cooperatives in Texas.

TSTCI concurs with those commenting parties that encourage the Commission to focus not just on mobile broadband service but to address the other National Broadband Plan agenda items that are crucial to any universal service reform undertaken, including intercarrier compensation reform and support for fixed broadband and voice services. Also, the use of reverse auctions for determining universal service support through the Mobility Fund, as contemplated in the NPRM, should not be a precursor for determining universal service support for fixed broadband and voice services through other support mechanisms such as the Connect America Fund (CAF).

II. **Creation of a Mobility Fund Should Not Divert Attention from Other Reform Initiatives**

As the Commission contemplates the creation of a Mobility Fund, several commenters urge the Commission to not be distracted from other important initiatives, particularly phantom traffic, traffic pumping and intercarrier compensation. TSTCI concurs with this position. CenturyLink states that intercarrier compensation and universal service are “integrally intertwined programs” that must be reformed in tandem. Since the fundamental parameters for such reform have not yet been proposed, CenturyLink urges the Commission to “be cautious in its adoption of a Mobility Fund, which should be just a small part of any such reforms.”¹ The United States Telecom Association (USTelecom) believes the Commission should immediately issue orders to resolve issues of phantom traffic, traffic pumping, and application of the intercarrier compensation regime to Voice over Internet Protocol (VoIP) traffic.² TSTCI agrees with USTelecom that the Commission has established a sufficient record regarding phantom traffic, traffic pumping, and application of intercarrier compensation to VoIP traffic and respectfully urges the Commission to act now and not delay these decisions while considering other complex universal service reform measures.

Also, the National Exchange Carrier Association, Inc.; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; Eastern Rural Telecom Association; and Western Telecommunications Alliance (NECA et al) request that if the Commission proceeds with the Mobility Fund, this activity should not delay development of revised broadband universal support programs for *fixed* broadband service. Nationwide broadband service programs such as the proposed CAF “must assure all Americans in high-cost rural areas have access to reliable

¹ Comments of CenturyLink at 3.

² Comments of the United States Telecom Association at 3.

broadband services, at speeds and prices reasonably comparable to those available to urban and suburban consumers.”³ Likewise, CenturyLink states that the Commission “must remain laser-focused on creating a successful Connect America Fund (CAF) which is far more important, and should ultimately subsume the proposed Mobility Fund.”⁴ TSTCI encourages the Commission to move forward with programs that will address support for fixed voice and broadband support that many consumers in rural high-cost areas will rely upon for comparable services.

III. Reverse Auctions Should Not be Used Beyond the Limited Purpose of the Mobility Fund

As described in the NPRM, reverse auctions are proposed as the means to determine support amounts for the Mobility Fund – a program to be created for the special circumstance of a limited one-time distribution of capital funding in unserved areas. If the Commission decides to go forward with this proposal, many parties expressed concern that Mobility Fund reverse auctions should not portend the method to determine universal service support through the CAF. The opposition to reverse auctions is not new, and commenters have repeatedly over the years described the harm reverse auctions would cause if used as a method to determine universal service support for voice and broadband services in rural areas with an existing network infrastructure. Nothing has changed to make reverse auctions acceptable as a method to determine universal service support through the proposed CAF, particularly in those service areas of rural incumbent local exchange carriers (ILECs) with provider-of-last resort (POLR) responsibilities. As CenturyLink explains, there are many more complexities involved in

³ Comments of National Exchange Carrier Association, Inc.; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; Eastern Rural Telecom Association; and Western Telecommunications Alliance at 2.

⁴ Comments of CenturyLink at 1.

providing universal service support provided through the CAF than the Commission would face in awarding one-time support through the Mobility Fund.⁵

One concern expressed repeatedly is the adverse effect auctions would create with ongoing investments in networks. Rural ILECs have POLR responsibilities that require the build out of facilities for voice services to areas that could not be served economically without universal service support. Determining what network should receive support for broadband services raises questions concerning the continuing viability of these voice services. Reverse auctions create “serious downside risks of undermining incentives to maintain and continue to invest in these remote networks.”⁶ For instance, pending auctions could cause investment to cease for fear of the loss of further investment and unrecoverable network costs. NECA et al also agree that replacing existing support mechanisms with reverse auctions would “seriously limit the number of lenders, if any, that would step forward with financing the needed rural infrastructure upgrades and ongoing operations.”⁷ This is particularly worrisome given the dependence that so many have on the rural ILECs’ in-place networks, not only rural residential consumers, small businesses, and public safety organizations, but mobile service providers that depend on the wireline network for call completion and transport architecture.⁸

Even if using reverse auctions for purposes of the Mobility Fund, the Independent Telephone & Telecommunications Alliance (ITTA) cautions that there must be a differentiation between using auctions in unserved, green-field areas and POLR-served areas where the ability to serve end-users could be adversely affected. Where one-time auctions are conducted with

⁵ Comments of CenturyLink, p. 5.

⁶ *Id.* at 6.

⁷ Comments of the National Exchange Carrier Association, Inc.; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; Eastern Rural Telecom Association; and Western Telecommunications Alliance, at p. 6.

⁸ GVNW Consulting, Inc. at p. 3.

only cap-ex provided, deployment of new technology may be restricted due to the auction winner's price of their bid. Where periodic auctions occur, underinvestment may occur toward the end of an auction term (and possible deteriorating service) because of concerns regarding stranded investment or the transfer of assets to a new auction winner. In the context of POLRs serving rural areas, a POLR must have assurance that it will be able to meet its universal service mandate of providing reasonably comparable services at reasonably comparable rates; reverse auctions would have the opposite effect. Instead of providing assurance, reverse auctions would create risks for providers and investors, undermining the goals of universal service. Where risks might be tolerated in unserved areas where limited implementation enables quick review and revision of problematic outcomes as they arise, replacement of regulatory regimes (such as those that enabled highly successful telephone network deployment) with risk-prone solutions should be avoided.⁹ It is clear that the use of reverse auctions must be avoided where existing network infrastructure is already in place serving rural consumers in high-cost areas.

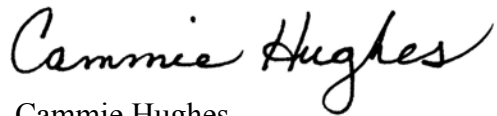
IV. Conclusion

The possible creation of a Mobility Fund should not divert the Commission's attention from other important reform initiatives. A sufficient record has already been established regarding phantom traffic, traffic pumping, and application of intercarrier compensation to VoIP. TSTCI urges the Commission to adopt orders that will have an immediate impact on lost access revenues and be an impetus for further reform. Also, Mobility Fund activities should not delay development of revised universal support programs for *fixed* broadband and voice services.

⁹ Comments of ITTA at 6 -8.

The use of reverse auctions to determine support through the Mobility Fund, as contemplated in the NPRM, should not be a precursor for determining universal service support for fixed broadband and voice services through other support mechanisms such as the CAF.

Respectfully submitted,

A handwritten signature in black ink that reads "Cammie Hughes". The script is cursive and fluid, with the first name and last name clearly distinguishable.

Cammie Hughes
Authorized Representative
Texas Statewide Telephone Cooperative, Inc.

January 18, 2011